

**KSLU – FM RADIO**

**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY**  
**SOUTHEASTERN LOUISIANA UNIVERSITY**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-24-07

KSLU – FM Radio  
A Public Telecommunications Entity Operated by  
Southeastern Louisiana University

Financial Statements and  
Independent Auditor's Report

June 30, 2006

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# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
HAMMOND, LA

John N. Durnin, CPA  
Dennis E. James, CPA

Member  
American Institute of CPA's  
Society of Louisiana CPA's

November 20, 2006

## Independent Auditor's Report

Mr. Todd Delaney,  
Interim General Manager  
KSLU-FM Radio  
Hammond, Louisiana

We have audited the accompanying statement of financial position of KSLU-FM Radio, a licensee and public telecommunications entity operated by Southeastern Louisiana University, as of June 30, 2006, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of KSLU-FM Radio's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KSLU-FM Radio as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2006 on our consideration of KSLU-FM Radio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,



Durnin & James, CPAs  
(A Professional Corporation)

KSLU-FM Radio  
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Southeastern Louisiana University

Exhibit A

Statement of Financial Position

June 30, 2006

**Assets**

Cash	\$ 8,202
University Intra-Fund Balance	187,282
Accounts Receivable, Net of Allowance for Uncollectible Accounts	-
Equipment, Net of Accumulated Depreciation	<u>95,644</u>
 Total Assets	 <u>\$ 291,128</u>

**Liabilities and Net Assets**

<b>Liabilities</b>	
Accounts Payable	\$ <u>14,245</u>
 Total Liabilities	 <u>14,245</u>
 <b>Net Assets</b>	
Unrestricted	<u>276,883</u>
 Total Net Assets	 <u>276,883</u>
 Total Liabilities and Net Assets	 <u>\$ 291,128</u>

The accompanying notes are an integral part of this statement.

KSLU-FM Radio  
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Exhibit B

Statement of Activities

For the Year Ended June 30, 2006

Changes in Unrestricted Net Assets:

Revenues and Gains:

Contributions from Southeastern Louisiana University:

General Appropriation	\$ 177,546
Donated Facilities and Administrative Support	91,210
In-Kind Donated Broadcast Facilities	24,810
Student Tuition Assessment	85,993
Grant Revenue	113,787
Private Sector Revenue	6,790
Private Donations	<u>14,388</u>

Total Unrestricted Revenues and Gains	\$ 514,524
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Expenses:

Unrestricted Operating Funds	331,099
Restricted Operating Funds	78,683
Community Service Grant - FY 04 Fund	39,818
Community Service Grant - FY 05 Fund	1,130
National Production and Program Acquisition Grant - FY 04 Fund	22,345
National Production and Program Acquisition Grant - FY 05 Fund	390
Louisiana Educational Television Authority Grant	-
Restricted Operating Fees	<u>7,932</u>

Total Unrestricted Expenses	<u>\$ 481,397</u>
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Increase in Net Assets	\$ 33,127
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Net Assets - Beginning of the Year	<u>\$ 243,756</u>
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Net Assets - End of the Year	<u>\$ 276,883</u>
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The accompanying notes are an integral part of this statement.

KSLU-FM Radio  
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Exhibit C

Statement of Cash Flows

For the Year Ended June 30, 2006

Cash Flows from Operating Activities	
Change in Net Assets	\$ 33,127
Adjustments to Reconcile Change in Net Assets To	
Net Cash Used by Operating Activities:	
Depreciation	33,576
(Increase) Decrease in University Intra-Fund Receivable	(54,450)
Increase (Decrease) in Accounts Payable	<u>14,245</u>
Net Cash Provided by Operating Activities	\$ 26,498
Cash Flows from Investing Activities	
Purchase of Equipment	<u>(24,065)</u>
Net Cash Used by Investing Activities	<u>\$ (24,065)</u>
Net Increase in Cash and Cash Equivalents	\$ 2,433
Cash and Cash Equivalents - Beginning of the Year	<u>\$ 5,769</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 8,202</u>

The accompanying notes are an integral part of this statement.

KSLU-FM Radio  
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Southeastern Louisiana University

Notes to Financial Statements

For the Year Ended June 30, 2006

**1. Summary Of Significant Accounting Policies**

The financial statements of KSLU-FM Radio (the "Station") have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

**A. Organization**

KSLU-FM Radio is a public telecommunications entity operated by Southeastern Louisiana University (the "University") in Hammond, Louisiana. Its purpose is to provide public radio programming and broadcasting in Hammond, Louisiana and surrounding areas. The Station is funded in part by direct state appropriations through the University, in-kind support from the University, and self-assessed student fees through the University. The Station is also funded through grants provided by the Corporation for Public Broadcasting (CPB) as well as private sector underwriting sources. The Station presently has four full-time employees.

**B. Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of resources available to the Station, the accounts of the Station are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balances of the Station are reported in self-balancing fund groups as follows:

Operating Funds include resources available to support the operations of the Station. Primary support is provided by the University; however, additional support is provided through in-kind donations and remote broadcast facilities.

Property Fund includes resources invested in property and equipment used in the Station's operations.

Community Service Grant Funds represent grants funded by CPB. The amounts funded are designated for the Station's operating expenses.

National Production and Programming Grant Funds represent grants funded by CPB. The amounts funded are designated for national production and program acquisition expenses.

**C. University Intra-Fund Balance**

The University provides cash management services to the Station. Amounts included in intra-fund balances represent the respective payable or receivable between the Station and the University.

KSLU-FM Radio  
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Notes to Financial Statements (Continued)

June 30, 2006

**D. Statement of Cash Flows**

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

**E. Functional Allocation Of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in fund balances. Accordingly, certain costs have been allocated among programs and supporting services benefited based on total personnel costs or the other systematic bases.

**F. Indirect Contributions And Support**

Donated facilities from the University consist of studio and office space together with related occupancy costs and are recorded in revenue and expense at either fair market value or the direct cost with allocations based on the Station's respective usage.

In-kind programming support consists of remote broadcasting facilities provided at no cost to the Station for programming and / or broadcasting operations. The value of such support is generally the cost to the provider or amounts determined to be acceptable to CPB.

**G. Restricted Support**

The Station reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**H. Gifts of Long-Lived Assets**

The Station reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**I. Revenue Recognition**

Unrestricted contributions, pledges, and grants are recognized as revenue in the statement of financial activity upon receipt. Other unrestricted revenues are recognized as earned either upon receipt or upon accrual. State appropriation support is reported as unrestricted revenue. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability.



KSLU-FM Radio  
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Notes to Financial Statements (Continued)

June 30, 2006

**J. Financial Statement Presentation**

In 1996, the Station elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," early. Under SFAS No. 117, the Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Station is required to present a statement of cash flows.

**K. Contributions**

The Station also elected to adopt SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

**L. Estimates**

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Property and Equipment**

Fixed assets are recorded at cost or, in the case of donated property, at estimated fair market value at the date of receipt. Depreciation is calculated by the straight-line method for all property acquired before 1981, and for property acquired after 1989, and by the accelerated cost recovery (ACRS) method for all property acquired from 1982 to 1989. Estimated useful lives of property used in depreciation calculations range from three to ten years. Depreciation was \$33,576 for fiscal year 2006. Expenditures for maintenance and repair are charged against revenues as incurred; cost of major additions and improvements are capitalized.

Property and equipment consist of the following at June 30, 2006:

Transmitting and Broadcast Equipment	\$ 318,025
Furniture and Office Equipment	<u>48,570</u>
	366,595
Less: Accumulated Depreciation	<u>270,951</u>
Net Property and Equipment	<u>\$ 95,644</u>

**3. Pension Plan**

All employees of the Station are employees of the University and are members of the Louisiana State Employees Retirement System and the Louisiana State Teachers Retirement System. Contributions by the Station to these two retirement systems during the year total \$6,730 and \$7,587, respectively. Required

KSLU-FM Radio  
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Notes to Financial Statements (Continued)

June 30, 2006

disclosures relating to the status of these two retirement systems is provided in the University's financial statements.

**4. Functional Expenses**

Expenses incurred were for:

	Program Services				Support Services		2006 Total
	Programming & Production	Broadcasting	Program Information	Total Program Services	Management & General	Total Support Services	
Salaries, wages, & benefits	\$ 35,400	\$ 83,391	\$ -	\$ 118,791	\$ 130,443	\$ 130,443	\$ 249,234
Occupancy	162	264	-	426	315	315	741
Dues and subscriptions	32,302	-	-	32,302	2,055	2,055	34,357
Xerox copies	-	-	-	-	329	329	329
Repairs and maintenance	-	-	-	-	-	-	-
Conferences, meetings	-	-	-	-	4,189	4,189	4,189
Advertising	-	-	-	-	2,499	2,499	2,499
Printing	-	-	-	-	487	487	487
Professional services	-	17,400	-	17,400	5,000	5,000	22,400
Office supplies	-	1,377	-	1,377	4,997	4,997	6,374
Depreciation	-	31,613	-	31,613	1,963	1,963	33,576
Telephone	-	-	-	-	3,406	3,406	3,406
Institutional support	16,319	26,700	-	43,019	31,847	31,847	74,866
Physical plant	1,567	2,565	-	4,132	3,059	3,059	7,191
Student work study	-	8,412	-	8,412	-	-	8,412
Rentals	-	1,536	-	1,536	-	-	1,536
In-kind remote broadcast	-	24,810	-	24,810	-	-	24,810
Miscellaneous	-	-	-	-	6,990	6,990	6,990
Totals	\$ 85,750	\$ 198,068	\$ -	\$ 283,818	\$ 197,579	\$ 197,579	\$ 481,397

**5. Grants from the Corporation for Public Broadcasting**

CPB is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. Annually, CPB distributes funds in the form of Community Service Grants (CSGs) and National Program Production and Acquisition Grants (NPPAGs) to qualifying public telecommunication entities.

CSGs are used to augment the financial resources of public broadcasting stations and thereby, to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization. According to the Communications Act, funds may be used at the discretion of recipients. In addition, the Grants may be used to sustain activities begun with Community Service Grants Awarded in prior years.

NPPAGs are grants limited to the production, acquisition, promotion, and distribution of national programming. National programming has been defined as a program placed in the national marketplace of

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**Notes to Financial Statements (Continued)**

June 30, 2006

public radio programming. Public broadcaster uses these funds for purposes relating primarily to production and acquisition of programming.

Both the CSG and NPPAG grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the Grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of Grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

The Community Service Grants received and expended during the most recent fiscal years were as follows:

Type of Grant	Year of Grant	Grants Received	Expended				Uncommitted Balance at June 30, 2006
			2002 - 03 and Prior	2003 - 04	2004 - 05	2005 - 06	
CSG	2001 - 03	\$ 56,839	\$ 48,648	\$ 8,191	\$ -	\$ -	\$ -
NPPAG	2001 - 03	\$ 23,386	\$ 23,386	\$ -	\$ -	\$ -	\$ -
CSG	2002 - 04	\$ 53,628	\$ -	\$ 52,279	\$ 1,349	\$ -	\$ -
NPPAG	2002 - 04	\$ 21,577	\$ -	\$ 21,577	\$ -	\$ -	\$ -
CSG	2003 - 05	\$ 59,994	\$ -	\$ -	\$ 59,994	\$ -	\$ -
NPPAG	2003 - 05	\$ 22,871	\$ -	\$ 9,609	\$ 13,262	\$ -	\$ -
CSG	2004 - 06	\$ 63,895	\$ -	\$ -	\$ -	\$ 63,891	\$ 4
NPPAG	2004 - 06	\$ 22,346	\$ -	\$ -	\$ -	\$ 22,345	\$ 1
CSG	2005 - 07	\$ 67,986	\$ -	\$ -	\$ -	\$ 1,130	\$ 66,856
NPPAG	2005 - 07	\$ 25,801	\$ -	\$ -	\$ -	\$ 390	\$ 25,411

In addition to the normal CSG and NPPAG grants received annually, the Station also received a \$20,000 Disaster Relief Grant during the year. This grant was provided by CPB in September 2005 to assist the Station in recovering from Hurricane Katrina. This is considered to be a one-time grant and will not be received by the Station in the future.

## 6. State Appropriations

This classification includes financial resources provided to the Station through budgetary authorizations of the State of Louisiana. State appropriations utilized for the year ended June 30, 2006 were as follows:

Authorized State Appropriation	\$ 177,546
Unexpended Appropriation	-
Total Operating Fund	177,546
Property Fund	-
Total	<u>\$ 177,546</u>

KSLU-FM Radio  
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Notes to Financial Statements (Continued)

June 30, 2006

**7. Indirect Administrative Support**

Portions of the licensee's general overhead costs relate to and benefit the public broadcaster. Such items include administration, utilities, maintenance, and repair. These services were provided without cost and have been allocated to the Station. The fair value of these services is reported as revenue and expense in the accompanying statement of financial activity.

Donated facilities from the licensee are based on the depreciated value of space occupied.

**8. Student Tuition Assessment**

Each student taking at least four semester hours is assessed a fee per semester which is dedicated to the Station. Revenue from this source was generated in the amount of \$85,993.

**Other Independent Auditor's Report and  
Findings and Questioned Costs**

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
HAMMOND, LA

John N. Durnin, CPA  
Dennis E. James, CPA

Member  
American Institute of CPA's  
Society of Louisiana CPA's

November 20, 2006

Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

Mr. Todd Delaney,  
Interim General Manager  
KSLU-FM Radio  
Hammond, Louisiana

We have audited the financial statements of KSLU-FM Radio, a licensee and public telecommunications entity operated by Southeastern Louisiana University, as of and for the year ended June 30, 2006, and have issued our report thereon dated November 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the KSLU-FM Radio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KSLU-FM Radio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Southeastern Louisiana University, the Louisiana Legislative Auditor, and the Corporation for Public Broadcasting, and is not intended to be and should not be used by anyone other than these specified parties. Under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

*Durnin & James, CPAs*

Durnin & James, CPAs  
(A Professional Corporation)

## **Findings and Questioned Costs**



**KSLU-FM Radio**  
**A Public Telecommunications Entity Operated By**  
**Southeastern Louisiana University**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2006**

**Internal Control over Financial Reporting**

None

**Compliance and Other Matters**

None

## **Summary Schedule of Prior Findings**

**KSLU-FM Radio**  
**A Public Telecommunications Entity Operated By**  
**Southeastern Louisiana University**

**Summary Schedule of Prior Findings**

For the Year Ended June 30, 2006

<u>Ref #</u>	<u>Fiscal Year Findings Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action</u>	<u>Plan Corrective Action - Partial Corrective Action Taken</u>	<u>Additional Explanation</u>
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Compliance

None

Internal Control

None

*Note: This schedule was prepared by the management of KSLU-FM Radio.*